

## **Lender Narrative**

### **Section 232/223(a)(7) Refinance**

Lender Narrative –  
Section 232/223(a)7  
Refinance

U.S. Department of Housing  
and Urban Development  
Office of Healthcare Programs

OMB Approval No. 9999-9999  
(exp. mm/dd/yyyy)

Public reporting burden for this collection of information is estimated to average 22 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation which must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. Response to this request for information is required in order to receive the benefits to be derived. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number. No confidentiality is assured.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Privacy Act Notice: The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in the form by virtue of Title 12, United States Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. While no assurance of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information Act request.

#### **Instructions:**

The narrative is a critical document to the Lean Underwriting process. Each section of the narrative and all questions need to be completed and answered. If the lender's underwriter disagrees and modifies any third party report conclusions, provide sufficient detail to justify. The narrative should identify the strengths and weaknesses of the ~~transaction~~ transaction and demonstrate how the weaknesses are mitigated by the underwriting.

*Not Applicable:* If a section is not applicable, state so in that section and provide a reason. Do not delete sections that are not applicable. HUD checks the narrative to make sure that all sections are provided. If a major section is not applicable, add “~~—~~ Not Applicable” to the header and provide a narrative section giving the reason. For instance,

#### **Management Agent – Not Applicable**

This section is not applicable because there is no management agent.

The rest of the subsections under the inapplicable section can then be deleted.



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		Field Code Changed
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Risk Factors .....	2	Field Code Changed
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## Executive Summary

Project Name:

Project Address:

City / State / Zip:

Purpose of Loan: <<description of purpose of loan (e.g., lower interest rate, fund repairs, correct default, etc.)>>

Type of Facility:	<input type="checkbox"/> Skilled Nursing:	<input type="checkbox"/> beds	<input type="checkbox"/> units
	<input type="checkbox"/> Assisted Living:	<input type="checkbox"/> beds	<input type="checkbox"/> units
	<input type="checkbox"/> Board & Care:	<input type="checkbox"/> beds	<input type="checkbox"/> units
	<input type="checkbox"/> Dementia Care:	<input type="checkbox"/> beds	<input type="checkbox"/> units
	<input type="checkbox"/> Independent:	<input type="checkbox"/> beds	<input type="checkbox"/> units
	Totals:	<u>0</u> beds	<u>0</u> units

### Current Insured Loan(s):

Original Section of the Act: \_\_\_\_\_  
FHA Number: \_\_\_\_\_  
Original Loan Amount: \_\_\_\_\_  
Current Interest Rate: \_\_\_\_\_  
Maturity Date: \_\_\_\_\_  
Original Term (in months): \_\_\_\_\_  
Principal & Interest (monthly): \_\_\_\_\_  
MIP (monthly): \_\_\_\_\_  
Total P+I+MIP (monthly): \_\_\_\_\_  
Debt Service Coverage: \_\_\_\_\_

Principal Balance: \_\_\_\_\_  
As of: \_\_\_\_\_  
Prepayment Penalty: \_\_\_\_\_  
Repl. Reserve Balance: \_\_\_\_\_  
As of: \_\_\_\_\_

### Proposed 223(a)(7) Loan Terms:

[Date Facility Built:](#) \_\_\_\_\_  
FHA Number: \_\_\_\_\_  
Proposed Loan Amount: \_\_\_\_\_  
Proposed Interest Rate: \_\_\_\_\_  
Proposed Maturity Date: \_\_\_\_\_  
Proposed Term (in months): \_\_\_\_\_  
Principal & Interest (monthly): \_\_\_\_\_  
MIP (monthly): \_\_\_\_\_  
Total P+I+MIP (monthly): \_\_\_\_\_  
Debt Service Coverage: \_\_\_\_\_

Projected Annual Savings: \_\_\_\_\_  
[Occupancy Rate](#) \_\_\_\_\_  
[Additional Deposit to Repl. Reserve at Closing \(if any\):](#) \_\_\_\_\_  
Total Repl. Reserve Deposit: \_\_\_\_\_  
Proposed [Total](#) Repairs: \_\_\_\_\_  
[Last REAC Score and Date:](#) \_\_\_\_\_  
[Transaction Repayment Period](#) \_\_\_\_\_

Effective Gross Income: \_\_\_\_\_  
Expenses & Repl. Res.: \_\_\_\_\_ Expense Ratio: \_\_\_\_\_  
Net Operating Income: \_\_\_\_\_

Mortgagor: <<Legal Name>>

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Operator:                    <<Legal Name>>                    ☐ Operating Lease  
Management Agent:      <<Legal Name>>

**Risk Factors**

**Key Questions**

	Yes	No
1. Is the lender requesting an increase in the loan term <del>(if so? If Yes, a PCNA is required)</del> ?	_____	_____
2. Have 10 or more years passed since a PCNA or a PCNA was provided to HUD <del>(if so? If Yes, a PCNA is required)</del> ?	_____	_____
<del>2-3.</del> Is the facility fully sprinklered? If not, a PCNA is required (Per CMS all nursing facilities must be fully sprinklered by August 2013).	_____	_____
<del>3-4.</del> Are there any exceptions reflected on the pro forma title policy which materially affect HUD's risk?	_____	_____
<del>4-5.</del> Will any premium generated by the interest rate benefit the Mortgagor, Operator, or Management Agent?	_____	_____
<del>5-6.</del> Is the mortgagor entity behind on its mortgage payments?	_____	_____
<del>6-7.</del> Is the Mortgagor or the Operator (or any of their affiliates, renamed, or reformulated companies) currently in, or have they filed for, or emerged from, bankruptcy within the last five (5) years?	_____	_____

If you answer "yes" to any of the above questions, please address below. If not applicable, indicate "NA" in the No column.

<<Identify the risk factors. Analyze and clarify how they are mitigated. >>

**Other Risk Factors identified by Underwriter**

Additionally, the underwriter has identified the following risk factors:

<<Provide discussion on other risk factors identified by the underwriter and how they are mitigated>>

**Program Eligibility**

***Project is currently HUD- Insured***

<<Affirmative statement confirming the existing loan is currently HUD-insured and not HUD-Held.>>

***Prepayment Approval***

<<~~Affirmative~~Make an affirmative statement confirming that HUD has approved prepayment of the existing loan. Provide the date of HUD's prepayment approval. Evidence of HUD's approval ~~is~~should be included in the application.>>

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**Waivers**

<<Identify any waivers required for proposed financing. Identify specific provisions to be waived and justification for the waiver>>

**Underwriting Team**

**Lender**

Name: \_\_\_\_\_  
 Underwriter: \_\_\_\_\_  
 Underwriter Trainee: \_\_\_\_\_  
 Mortgage #: \_\_\_\_\_

<<UNDERWRITER>>  
 <<Brief description of qualifications>>

<<UNDERWRITER TRAINEE, if Applicable>>  
 <<Brief description of qualifications>>

**Identities-of-Interest**

	<u>Yes</u>	<u>No</u>
1. Have you, as the Lender, identified any identities of interest on your certification?	_____	_____
2. Does the Mortgagor’s certification indicate any identities of interest?	_____	_____
3. Is there any identity of interest issues involving the Underwriting Lender, the existing lender or note holders, or the mortgage broker?	_____	_____
4. Does the lender know that, or have any reason to believe, that any of the assertions in the other Consolidated Certifications submitted herewith, are inaccurate or incomplete?	_____	_____

If you answer “yes” to any of the above questions, please briefly address below. . If not applicable, indicate “NA” in the No column.

Example: **Mortgagor and Operator:** The Mortgagor and Operator are related parties – John Doe has ownership in both entities. No other identities of interest are disclosed.



Special Underwriting Considerations

Key Questions

	Yes	No
1. Is there any FHA-insured debt that is not being refinanced?		
2. Is there any non-FHA-insured debt associated with this project?		
<del>3.</del> Was an Underwriter Trainee involved in underwriting this transaction?		
<del>4.</del> Is a mortgage broker involved in this transaction?		
<del>5.</del> Does the underwriting include income from Adult Day Care?		
<del>6.</del> Is there a ground lease?		
<del>7.</del> Is Accounts Receivable Financing involved with this transaction or the operator or the parent of the operator?		
<del>8.</del> Are there any Professional Liability Insurance issues that require special consideration or HQ review?		
<del>9.</del> Are any tax credits involved in this transaction?		
<del>10.</del> Are any secondary funding sources involved in this transaction?		
<del>11.</del> Is any real estate tax abatement or exemption included in the underwriting assumptions?		
<del>12.</del> Are there any special escrows or reserves proposed for this transaction?		
<del>13.</del> Other than the aforementioned questions, waivers and program eligibility requirements, are there any other issues that require special or atypical underwriting consideration?		
<del>14.</del> Do you, as the underwriter, recommend or request any HUD technical reviews of issues, exhibits, or third party reports related to this transaction?		

If you answer “yes” to any of the above questions, please identify the risk and how it was mitigated.

Occupancy

How many beds is the facility licensed for?

How many beds does the facility currently offer?

Please explain below any deviations from the license.

How many beds are currently occupied?

Has there been any change in resident type since the facility originally came into the FHA portfolio?

Is this a Certificate of Need (CON) state?

Please provide the census level for the past three years.

This Year:

1 Year Ago:

2 Years Ago:

3 Years Ago:

<<Please address any item(s) listed above that need explanation.>>

## **Term Extensions (only applies if the borrower is requesting one)**

What is the length of the requested term extension?

Has the facility completed any substantial rehabilitation? List dates and add explanation below.

Year facility built:

What amount, if any, is the borrower adding to the replacement reserves at closing?

By what amount, if any, is the borrower increasing its annual deposits to the replacement reserves

Current DSCR:

Prospective DSCR without the extension:

Prospective DSCR with term extension:

Annual savings to owner without a term extension:

Annual savings to owner with the extension:

Difference in yearly savings?

Why is the borrower asking for the extension? (Use the space below to explain the benefit to HUD of the extension)

<<Please address any item(s) listed above that needs explanation. >>

## **Lender Site Visit (Required if no PCNA was completed)**

Date of visit

Who did the lender meet with (Name and title)?

Have outstanding REAC issues been addressed? If no, please explain in the space below.

Affirm basic compliance with state codes

Has the facility completed any substantial rehabilitation since it originally came into the FHA portfolio? List dates and add explanation below if needed.

Do the number of beds and their use match what the facility license states? If no, please explain in the space below.

Please provide an overall assessment, attaching general photograph

<<Please address any item(s) listed above that needs explanation.>>

## Net Operating Income Analysis

### Key Question

	<u>Yes</u>	<u>No</u>
1. Will a decrease in debt service negatively impact the facility's income?	_____	_____
2. Does the proposed loan increase the debt service payment?	_____	_____

If you answer "yes" to the above questions, please identify the specifics of the circumstance and describe how the underwriter justified or mitigated this risk. Note that a more detailed analysis of operating income may be required. If the debt service payments increase, a full three year and year to date historical analysis must be provided (use Section 223f model).

<< A detailed analysis of the income and expenses may not be required. The debt service mortgage criterion can be based on a trailing 12-month operating statement. If the borrower is unable to supply historical income and expenses in the form of trailing 12-months, the most recent full year data is acceptable. The net operating income will exclude lease payments, depreciation, and debt service. If either a decrease in reimbursement rate or an increased net operating income are projected, a more detailed analysis of the net operating income should be provided.>>

<u>Income Analysis</u>	
	<u>Trailing 12-months</u>
<u>Effective Gross Income:</u>	
<u>Expenses</u>	
<u>Repl. Reserves:</u>	
<u>Net Operating Income:</u>	

**<<For each "YES" answer above, provide a narrative discussion regarding the topic>>**

**Underwriting Team**

**Lender**

**Name:** \_\_\_\_\_  
**Underwriter:** \_\_\_\_\_  
**Underwriter Trainee:** \_\_\_\_\_  
**Mortgage #:** \_\_\_\_\_

**<<UNDERWRITER>>**  
**<<Brief description of qualification>>**

**<<UNDERWRITER TRAINEE, if Applicable>>**  
**<<Brief description of qualification>>**

## ~~Identities of Interest~~

	<u>Yes</u>	<u>No</u>
<del>1. Have you, as the Lender, identified any identities of interest on your certification?</del>	<u>      </u>	<u>      </u>
<del>2.1. Does the Mortgagor's certification indicate any identities of interest?</del>	<u>      </u>	<u>      </u>
<del>3.1. Is there any identity of interest issues involving the Underwriting Lender, the existing lender or note holders, or the mortgage broker?</del>	<u>      </u>	<u>      </u>

~~If you answer "yes" to any of the above questions, please briefly address below.~~

~~<<For each "YES" answer above, provide a narrative discussion regarding the topic. If not applicable, indicate "NA" in the No column.~~

~~Example:~~

~~**Mortgagor and Operator:** The Mortgagor and Operator are related parties — John Doe has ownership in both entities. No other identities of interest are disclosed.~~

## Project Description

### Zoning

Zoning:

☐ Legal-Conforming ☐ Legal-Non-Conforming ☐ Other \_\_\_\_\_

### Flood Plain

	<u>Yes</u>	<u>No</u>
Does the community participate in the National Flood Insurance Program (NFIP)?	<u>      </u>	<u>      </u>
Is Flood Insurance required for this property?	<u>      </u>	<u>      </u>
NFIP Map Panel #: _____ Date: _____		
Flood Zone: _____		

~~<<If project is in 100- or 500- year flood plain, provide narrative discussion evaluating exhibits required on checklist.>>~~

Lender Narrative \_\_\_\_\_ Page \_\_\_\_\_

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of 25 form HUD-9001-OHP (mm/dd/yyyy)

Title

Title Search

Date of Search: \_\_\_\_\_  
Firm: \_\_\_\_\_  
File Number: \_\_\_\_\_

Key Questions

	Yes	No
1. Is the title currently vested in an entity or individual other than the proposed Mortgagor?	_____	_____
2. Does report indicate that delinquent real estate taxes are owed?	_____	_____
3. Does the report indicate any outstanding special assessments?	_____	_____
4. Does the report identify any outstanding debt that is not disclosed on the Mortgagor's listing of outstanding obligations?	_____	_____
5. Are there or will there be any Use and Maintenance Agreements associated with this facility?	_____	_____

If you answer "yes" to any of the above questions, please identify each risk factor and how it is mitigated below.

<<For each "YES" answer above, provide a narrative discussion regarding the topic.>>

Pro-forma Policy

Date/Time: \_\_\_\_\_  
Firm: \_\_\_\_\_  
Policy Number: \_\_\_\_\_

Key Questions

	Yes	No
<del>1.</del> Is the title vested in an entity or individual other than the proposed Mortgagor?	_____	_____
<del>2.</del> 1. Are there any covenants, <del>conditions, and</del> encumbrances, liens, restrictions or other exceptions indicated on Schedule B-1?	_____	_____
<del>3.</del> 2. Are there any use or affordability restrictions remaining in effect on the property?	_____	_____
<del>4.</del> 3. Are there any easements or rights of way listed that are not indicated on the Survey?	_____	_____
<del>5.</del> 4. Are there any endorsements included aside from the standard HUD requirement HUD required endorsements?	_____	_____
<del>6.</del> 5. Are there any subordination agreements, encroachments or similar issues that require HUD's approval?	_____	_____
<del>7.</del> 6. Are there any other matters requiring special consideration, agreements, or conditions that require HUD's attention?	_____	_____

If you answer "yes" to any of the above questions, please briefly address below.

<<For each "YES" answer above, provide a narrative discussion regarding the topic.

Example:

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**Additional Endorsements:** As described in the Risk Factors section of the narrative, the XXXX does not conform to the past or current zoning requirements. The Lender recommends....>>

ALTA/ACSM Land Title Survey

Key Questions

	<u>Yes</u>	<u>No</u>
1. Does the pro forma title policy include a survey exception?	_____	_____
2. Have there been any material changes in the legal description of the property since the date of the existing survey (e.g., due to a partial release, the addition of property or both)?	_____	_____
3. Have any new easements affecting the property <del>have</del> been granted since the date of the existing survey (other than blanket easements or other easements that clearly do not conflict with use of project facilities, as determined by HUD)?	_____	_____
4. Have any additional improvements (including driveways and parking areas) <del>have</del> been constructed on the property since the date of the existing survey?	_____	_____

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If you answer “yes” to any of the above questions, a current “as built” survey conforming to the *HUD Survey Instructions for Health Care Facilities Insured under Section 232 LEAN Programs* is required and the ALTA/ACSM Land Title Survey addendum must be attached to this narrative

If you answer “no” to all of the above questions, copies of the most recent signed and certified “as-built” survey accepted by HUD ~~need~~needs to be provided (need not be ~~original~~an original). No further review is ~~no~~ needed. If copies are not available, a current “as built” survey conforming to the *HUD Survey Instructions for Health Care Facilities Insured under Section 232 LEAN Programs* may be required and the ALTA/ACSM Land Title Survey addendum must be attached to this narrative.

Net Operating Income Analysis

Key Question



Program Eligibility

Mortgagor

Name: 

Yes

No

Will a decrease in debt service, negatively impact the facility's income?State of

Organization:

Date Formed:Does the proposed loan increase the debt service payment?

Termination Date:

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If you answer "yes" to the above questions, please identify the specifics of the circumstance and describe how the underwriter justified or mitigated this risk. Note that a more detailed analysis of operating income may be required. If the debt service payments increase, a full three year and year to date historical analysis must be provided (use Section 222f model).

<< A detailed analysis of the income and expenses may not be required. The debt service mortgage criterion can be based on a trailing 12 month operating statement. If the borrower is unable to supply historical income and expenses in the form of trailing 12 months, the most recent full year data is acceptable. The net operating income will exclude lease payments, depreciation, and debt service. If either a decrease in reimbursement rate or an increased net operating income are projected, a more detailed analysis of the net operating income should be provided.>>

Income Analysis	
	Trailing 12 months
Effective Gross Income:	
Expenses	
Repl. Reserves:	
Net Operating Income:	

Mortgagor

Name:

State of Organization:

Date Formed:

Termination Date:

## Key Questions

- |  | <u>Yes</u> | <u>No</u> |
|--|------------|-----------|
| 1. Does the Mortgagor currently own any assets other than the property or participate in any other businesses? | _____      | _____     |
| 2. According to the application exhibits, is or has the Mortgagor been delinquent on any Federal debt?         | _____      | _____     |

If you answer "yes" to any of the above questions, please identify each risk factor and how it is mitigated below.

<<For each "YES" answer above, provide a narrative discussion regarding the topic.>>

## Organization

<<Organization Chart and Narrative, as applicable. At a minimum, all mortgagor principals ~~of the mortgagor~~ should~~must~~ be identified.>>

## Operator

Name: \_\_\_\_\_  
State of Organization: \_\_\_\_\_  
Date Formed: \_\_\_\_\_  
Termination Date: \_\_\_\_\_

## Organization

<<Organization Chart and Narrative, as applicable.>>

## Operating Lease

Date of Agreement: \_\_\_\_\_  
Current Lease Term Expires: \_\_\_\_\_  
Description of Renewals: \_\_\_\_\_  
Current Lease Payment: \_\_\_\_\_  
Major Movable Equipment  
- Current Ownership: <<Mortgagor / Operator>>  
- Post Closing Ownership: <<Mortgagor / Operator>>

## Key Questions

- |   | <u>Yes</u> | <u>No</u> |
|---|------------|-----------|
| 1. Does the lease contain any non-disturbance provisions?   | _____      | _____     |
| 2. Does the lease require the Mortgagor to escrow any funds other than those associated with this loan? | _____      | _____     |
| 3. Is State approval of the lease payment required?   | _____      | _____     |
| 4. Will the lease payment need to be increased to cover increased debt service?                         | _____      | _____     |

If you answer "yes" to any of the above questions, please identify specifics of the circumstance and describe how the underwriter justified or identified mitigation of the risk.

<<For each "YES" answer above, provide a narrative discussion regarding the topic.>>

HUD Lease Provisions

<<Discuss compliance with HUD lease provisions and identify any modifications required.>>

Program Guidance:

Prior to closing, the lease needs to be modified [by attachment of the HUD Operating Lease Addendum](#) to include the appropriate HUD requirements, including:

- 1. Contain a restriction against ~~its~~ assignment [or subletting](#) without HUD prior approval;
- 2. Requires prior written approval by HUD for any modification in bed authority;
- 3. Requires the lessee to submit financial statements to HUD within ~~6090~~ days of the close of the facility's fiscal year;
- 4. Designates the lessee as having the responsibility to seek and maintain all necessary licenses and provider agreements including Medicaid and Medicare.
- 5. Requires the lessee to submit a copy of the licenses and provider ~~agreement~~[agreements](#) to HUD.
- 6. Requires the ~~mortgagor/lessor~~[lessee](#) ensure that the facility meets State licensure requirements and standards

Management Agent (if applicable)

Name: \_\_\_\_\_  
Relation to Mortgagor: [<<Owner Managed/IOI Entity/Independent/Other>>](#)

State Inspection

Key Question

Compliance

[Please address whether there are any compliance issues with the following:](#)

	Yes	No
1. <a href="#">State Inspection</a> . Are there currently any open findings <a href="#">of "G" or higher</a> resulting from State survey inspections? <a href="#">Please explain below.</a>	_____	_____
2. <a href="#">REAC Inspection</a> . Are there currently outstanding repairs resulting from the last REAC inspection? <a href="#">Please explain below.</a>	_____	_____
3. <a href="#">Active Partners Performance Systems (APPS)</a> . Are there currently any open flags in APPS pertaining to the owners or the facility? <a href="#">Please explain below.</a>	_____	_____
4. <a href="#">Entity Discrepancies vs. Facility License</a> . Does the operator entity name match the entity name listed on the license? <a href="#">If no, please explain below.</a>	_____	_____

~~If you answer "yes" to the above question, please~~  
[Please discuss the any](#) open findings [or issues,](#) and ~~the resolution below~~[their resolutions.](#)

## Insurance

### Professional Liability Coverage

Name of Insured: \_\_\_\_\_

Insurance Company: \_\_\_\_\_

~~Rating:~~ \_\_\_\_\_ ~~Rated:~~ \_\_\_\_\_

~~Licensed by the project's State:~~ ☐ ~~Yes~~ ☐ ~~No~~

~~Authorized surplus lines carrier in project's State:~~ ☐ ~~Yes~~ ☐ ~~No~~

Statute of Limitations: \_\_\_\_\_

Current Expiration: \_\_\_\_\_

Retroactive Date: \_\_\_\_\_

Current Coverage: Per Occurrence: \_\_\_\_\_

Aggregate: \_\_\_\_\_

Deductible: \_\_\_\_\_

Policy Basis: ☐ Per occurrence ☐ Claims-made

~~Current Expiration:~~ \_\_\_\_\_

~~Retroactive Date:~~ \_\_\_\_\_

~~Policy Premium:~~ \_\_\_\_\_

### Key Questions

	<u>Yes</u>	<u>No</u>
1. Does the insurance policy cover multiple properties?	_____	_____
<del>2. Is less than 6 years of loss history available?</del>	_____	_____
<del>3. Does the loss history indicate a professional liability claims over \$35,000?</del>	_____	_____
<del>4. Does the loss history or potential claims certification indicate any uncovered claims?</del>	_____	_____
<del>5. Does the loss history or potential claims certification indicate any claims that would exceed the per occurrence or aggregate coverage limits at the facility?</del>	_____	_____
<del>6. Is the policy funded on a "cash front" basis?</del>	_____	_____

If you answer "yes" to any of the above questions, please identify the circumstance and address below.

~~<<For each "YES" answer above, provide a narrative discussion regarding mitigation of the risk~~

Examples:

~~Multiple properties: The underwriter notes that the professional liability policy is a "blanket" policy covering XXX facilities, including the subject... (address potential impact of other facilities on the subject's coverage)~~

~~Less than 6 year loss history: The claims history reports were examined for the period XX through XX. The underwriter determined that there were no professional liability XX claims during that period... (address claims and sufficiency of coverage, etc. based on history).~~

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## Recommendation

<<Narrative recommendation regarding acceptability of professional liability insurance. For example, “The mortgagor’s professional liability insurance was analyzed in accordance HUD Notice H 04-01 and H 04-15. The property has XX current potential (threatened) insurance claims at this time as reflected on the certification provided by the borrower. It is {lender}’s opinion that the information provided above and in the application sufficiently demonstrates that the existing professional liability coverage meets HUD’s requirements and that the risk from professional liability issues is sufficiently addressed. No modifications to the current coverage are recommended.”>>

## Property Insurance

<<Narrative discussion of review. For example, “Hazard and Liability insurance will be provided by XX. The insurance coverage will continue to comply with HUD requirements.”>>

## Fidelity Bond / Employee Dishonesty Coverage

<<Narrative discussion of review. For example, “The current insurance policy reflects fidelity (crime) insurance with the limit of \$XX and \$XX deductible. The current level of coverage is [sufficient for this project at least two months’ gross potential income](#) and meets HUD’s requirements.” If not sufficient, recommend commitment condition.>>

## Mortgage Determinants

### Overview

The mortgage criteria shown on the form HUD-92264-A are summarized as follows:

Original Principal Limit:	
Debt Service Limit:	
Transaction Cost Limit:	

The proposed mortgage is \$XX and is constrained by XXX. ~~Therefore the actual~~[The](#) underwritten debt service coverage, including debt service and MIP payment, is XX, which is X% of the estimated net operating income

### Original Principal Amount Limit

The original principal amount is \$X. <<If multiple FHA-insured mortgages are being refinanced, for each insured loan provide the current loan information identified in the Executive Summary>>

### Debt Service Limit

The \$XX debt service limit was calculated using HUD’s guidelines. This is based on X% of the underwritten net operating income of \$X, interest rate of XX% and a XX-year term. Mortgage calculation should account for debt service required by other mortgages that will remain in place.

The costs to refinance associated with the project totals \$X on the form HUD-92264-A, which is used to calculate the mortgage amount for this criterion. This total includes the following:

## Existing FHA-Insured Indebtedness

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### Additional Replacement Reserve Deposit

<<If the proposal includes increasing the replacement reserve balance with loan proceeds, indicate the amount and provide justification for the increased balance. If none, state "None">>

### Repairs

<<If the proposal includes funding repairs, provide a listing of the repairs, the estimated cost and provide justification. If none, state "None">>

### Legal and Organizational Costs

The borrower's legal and organization costs are estimated to total \$X (\$X for legal / \$X for organizational expenses). The underwriter concluded that the budgeted amounts are reasonable.

### Title and Recording Fees

Title and recording fees are estimated to cost \$X. The underwriter concluded that the budgeted amount is reasonable.

### HUD Fees

<<This section pertains to the transaction cost calculation and may not match the actual fees in the sources and uses. ~~An inspection fee is only required when there are repairs.~~>>The HUD fees total \$X and are comprised of MIP totaling XX percent of the mortgage amount (\$X~~;~~) and the FHA application fee totaling **0.15 percent** of the mortgage amount ~~(\$X); and, the FHA inspection fee totaling \$30 per unit~~ (\$X).

Program Guidance:

There is no inspection fee required on Section 223(a)(7) transactions.

### Financing Fees

<<This section pertains to the transaction cost calculation and may not match the actual fees in the ~~sources~~sources and ~~uses~~uses. All fees paid to the lender are to be discussed. Maximum lender fees can not exceed 2% of the mortgage.>> The financing fees payable to the lender total \$X. The total is made up of a fee of 1.00 percent of the mortgage amount (\$X~~;~~), plus fixed lender fees totaling \$X and lender legal fees totaling \$X. In total, the fees payable to the lender represent X percent of the mortgage amount.

### Other Fees

<<If the other fees are included, provide a descriptive listing with the estimated cost. Provide justification for eligibility. If none, state "None">>

**Sources & Uses**

<<Provide a statement of Sources and Uses of actual estimated cost at closing. Include all eligible and ineligible transaction costs.>>

**Secondary Sources**

<<List and discuss all secondary sources, including terms and conditions of each. Secondary sources include Surplus Cash Notes, Grants/Loans, Tax Credits, and the like.>>

**Surviving Debt**

<<List and discuss all existing long-term debt that will survive closing. If none, state “None”>>

**Type of Financing**

The type of financing available to the mortgagor upon issuance of the commitment will likely be in the form of XXXX.

**Special Commitment Conditions**

1. <<List any recommended special conditions. If none, state “None.”>>

**Conclusion**

<<Narrative conclusion and recommendation>>



Addenda

Check all those that apply and include as addenda to this report.

<input type="checkbox"/>	PCNA	PCNA is required submission. ( <del>&gt;10 years or Term Extension</del> )
<input type="checkbox"/>	Survey	Refer to ALTA/ACSM Land Title Survey section.
<input type="checkbox"/>	Draft Form HUD-4128	Building footprint or impervious surfaces are to be increased.
<input type="checkbox"/>	Other Eligible Existing Indebtedness	Refer to Other Eligible Existing Indebtedness section
<input type="checkbox"/>	Principal of the Mortgagor	Ownership change; principal not previously approved by HUD.
<input type="checkbox"/>	Operator	Operator change, not previously approved by HUD.
<input type="checkbox"/>	Management Agent	Management Agent change, not previously approved by HUD.
<input type="checkbox"/>	Operating Lease	Operating Lease changes, not previously approved by HUD.
<input type="checkbox"/>	Management Agreement	Management Agreement changes, not previously approved by HUD.
<input type="checkbox"/>	Accounts Receivable Financing	Project's Accounts Receivables are financed.

Formatted Table

Signatures

Lender: \_\_\_\_\_  
HUD Mortgagee Number: \_\_\_\_\_

This report was prepared by:	Date	This report was reviewed by:	Date
_____ <<Name>> <<Title>> <<Phone>> <<Email>>	_____ <<Name>> <<Title>> <<Phone>> <<Email>>	_____ <<Name>> <<Title>> <<Phone>> <<Email>>	_____ <<Name>> <<Title>> <<Phone>> <<Email>>